

Ms. Linda A. Holtzscheiter, Reimbursement Manager
Mariner Post-Acute Network
15415 Katy Freeway, Suite 800
Houston, Texas 77094

Re: AC# 3-FAI-J7 – GCI Faith Nursing Home, Inc., d/b/a Faith Healthcare Center

Dear Ms. Holtzscheiter:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1996 through September 30, 1997. That report was used to set the rate covering the contract periods beginning October 1, 1998.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

Ms. Linda A. Holtzscheiter, Reimbursement Manager
Mariner Post-Acute Network
15415 Katy Freeway, Suite 800
Houston, Texas 77094

Re: Draft Report – AC# 3-FAI-J7 – GCI Faith Nursing Home, Inc. d/b/a
Faith Healthcare Center

Dear Ms. Holtzscheiter:

The accompanying draft report has been prepared by our office. Please review the adjustments as presented.

If you have any questions concerning this report and would like a formal exit conference with the auditors, please write to Mr. Jay S. Von Kannel, CPA, regarding the establishment of a meeting date. Your correspondence should include the above referenced control number. Your request for a conference must be made within ten (10) calendar days of your receipt of this report, and the conference must be held within twenty (20) calendar days of your receipt of this report. Any additional documentation in support of allowable cost must be received by our office no later than twenty (20) calendar days after your receipt of this report.

If we do not hear from you within ten (10) calendar days of your receipt of this report, we will assume you do not want an exit conference. In this case, I will reissue this report to you in final form and you will have thirty (30) calendar days in which to file a formal appeal if you so desire.

Yours very truly,

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

Ms. Brenda L. Hyleman, Director
Division of Home Health and Nursing Home Services
Department of Health and Human Services
Post Office Box 8206
Columbia, South Carolina 29202-8206

Re: Draft Report – AC# 3-FAI-J7 – GCI Faith Nursing Home, Inc. d/b/a
Faith Healthcare Center

Dear Ms. Hyleman:

Please review the adjustments contained in the accompanying draft report. If you have any comments or disagreements with the adjustments and resulting computations, please contact Mr. Jay S. Von Kannel, CPA, within ten (10) calendar days.

Use of the above referenced control number is requested on any subsequent correspondence pertaining to this report.

If you do not have any comments, it will be assumed you are in agreement with the report and only those concerns of the Provider, if any, will be considered prior to the issuance of the final report.

Yours very truly,

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Mr. Jeff Saxon
Mr. Robert M. Kerr

**GCI FAITH NURSING HOME, INC.
D/B/A FAITH HEALTHCARE CENTER**

FLORENCE, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1998
AC# 3-FAI-J7**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

November 29, 2000

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with GCI Faith Nursing Home, Inc. d/b/a Faith Healthcare Center, for the contract periods beginning October 1, 1998, and for the twelve month cost report period ended September 30, 1997, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by GCI Faith Nursing Home, Inc. d/b/a Faith Healthcare Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and GCI Faith Nursing Home, Inc. d/b/a Faith Healthcare Center dated as of September 30, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
November 29, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

FAITH HEALTHCARE CENTER
Computation of Rate Change
For the Contract Periods
Beginning October 1, 1998
AC# 3-FAI-J7

	10/01/98- <u>11/30/98</u>	12/01/98- <u>09/30/99</u>
Interim reimbursement rate (1)	\$78.60	\$79.35
Adjusted reimbursement rate	<u>76.23</u>	<u>76.98</u>
Decrease in reimbursement rate	\$ <u><u>2.37</u></u>	\$ <u><u>2.37</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 3, 1999

FAITH HEALTHCARE CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1998 Through November 30, 1998
AC# 3-FAI-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$32.90	\$48.65	
Dietary		6.92	9.44	
Laundry/Housekeeping/Maint.		<u>6.56</u>	<u>7.70</u>	
Subtotal	<u>\$4.61</u>	46.38	65.79	\$46.38
Administration & Med. Records	<u>\$ -</u>	<u>14.50</u>	<u>10.38</u>	<u>10.38</u>
Subtotal		60.88	<u>\$76.17</u>	56.76
<u>Costs Not Subject to Standards:</u>				
Utilities		2.36		2.36
Special Services		4.29		4.29
Medical Supplies & Oxygen		1.99		1.99
Taxes and Insurance		1.11		1.11
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$70.63</u>		66.51
Inflation Factor (3.60%)				2.39
Cost of Capital				6.05
Cost of Capital Limitation				(.72)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				4.61
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.86)
Minimum Wage Add-on				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$76.23</u>

FAITH HEALTHCARE CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Periods December 1, 1998 Through September 30, 1999
AC# 3-FAI-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
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TOTAL		<u>\$70.63</u>		66.51
Inflation Factor (3.60%)				2.39
Cost of Capital				6.05
Cost of Capital Limitation				(.72)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				4.61
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.86)
Minimum Wage and CNA Add-ons				<u>1.00</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$76.98</u>

FAITH HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1997
AC# 3-FAI-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Adjustments</u>		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,225,075	\$ 8,272 (3)	\$ 7,263 (2) 1,521 (4) 8,270 (4) 3,395 (5) 1,654 (5)	\$1,211,244
Dietary	254,688	49,612 (3)	49,612 (4)	254,688
Laundry	61,227	11,926 (3)	11,926 (4)	61,227
Housekeeping	113,036	18,507 (3)	21,889 (4)	109,654
Maintenance	82,217	2,601 (3)	14,135 (4)	70,683
Administration & Medical Records	531,069	2,024 (2) 4,594 (2) 25,306 (3) 7,957 (3)	28,407 (4) 8,706 (4)	533,837
Utilities	89,030	645 (2) 14,645 (3)	17,384 (4)	86,936
Special Services	158,079	1 (5)	-	158,080
Medical Supplies & Oxygen	124,773	-	4,381 (4) 47,223 (5)	73,169
Taxes and Insurance	42,188	6,609 (3)	7,803 (4)	40,994
Legal Fees	-	-	-	-
Cost of Capital	230,460	8,156 (3)	31 (1) 9,654 (4) 6,018 (6)	222,913
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	2,911,842	160,855	249,272	2,823,425
Ancillary	71,403	-	-	71,403

FAITH HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1997
AC# 3-FAI-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Non-Allowable	1,327,894	31 (1)	153,591 (3)	1,416,311
		183,688 (4)		
		52,271 (5)		
	<u> </u>	<u>6,018 (6)</u>	<u> </u>	<u> </u>
 Total Operating Expenses	 <u>\$4,311,139</u>	 <u>\$402,863</u>	 <u>\$402,863</u>	 <u>\$4,311,139</u>
 Total Patient Days	 <u>36,821</u>	 <u>-</u>	 <u>-</u>	 <u>36,821</u>
 Total Beds	 <u>104</u>			

FAITH HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1997
AC# 3-FAI-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 21,483	
	Other Equity	1,223	
	Nonallowable	31	
	Accumulated Depreciation		\$ 22,706
	Cost of Capital		31
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Administration	2,024	
	Medical Records	4,594	
	Utilities	645	
	Nursing		7,263
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk State Plan, Attachment 4.19D		
3	Restorative	8,272	
	Dietary	49,612	
	Laundry	11,926	
	Housekeeping	18,507	
	Maintenance	2,601	
	Administration	25,306	
	Medical Records	7,957	
	Utilities	14,645	
	Taxes and Insurance	6,609	
	Cost of Capital	8,156	
	Nonallowable		153,591
	To reverse DH&HS adjustment to remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

FAITH HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1997
AC# 3-FAI-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
4	Nonallowable	183,688	
	Nursing		1,521
	Restorative		8,270
	Dietary		49,612
	Laundry		11,926
	Housekeeping		21,889
	Maintenance		14,135
	Administration		28,407
	Medical Records		8,706
	Utilities		17,384
	Taxes and Insurance		7,803
	Medical Supplies		4,381
	Cost of Capital		9,654
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
5	Special Services	1	
	Nonallowable	52,271	
	Nursing		3,395
	Restorative		1,654
	Medical Supplies		47,223
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
6	Nonallowable	6,018	
	Cost of Capital		6,018
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	\$425,569	\$425,569

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

FAITH HEALTHCARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1997
AC# 3-FAI-J7

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1814</u>
Deemed Asset Value (Per Bed)	34,069
Number of Beds	<u>104</u>
Deemed Asset Value	3,543,176
Improvements Since 1981	245,372
Accumulated Depreciation at 9/30/97	<u>(689,635)</u>
Deemed Depreciated Value	3,098,913
Market Rate of Return	<u>.067</u>
Total Annual Return	207,627
Return Applicable to Non-Reimbursable Cost Centers	(33,298)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>374</u>
Allowable Annual Return	174,703
Depreciation Expense	57,864
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(9,654)</u>
Allowable Cost of Capital Expense	222,913
Total Patient Days (Minimum 97% Occupancy)	<u>36,821</u>
Cost of Capital Per Diem	\$ <u><u>6.05</u></u>

FAITH HEALTHCARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1997
AC# 3-FAI-J7

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$1.34
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$5.33</u>
Reimbursable Cost of Capital Per Diem	\$5.33
Cost of Capital Per Diem	<u>6.05</u>
Cost of Capital Per Diem Limitation	<u>\$(.72)</u>